

## Message Text

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73

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 DODE-00 PM-07 H-03 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-15 NIC-01 RSR-01 /173 W

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P 162030Z AUG 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 710

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E.O. 11652: N/A

TAGS: EFIN, PFOR, BL

SUBJ: APPARENT INTERNAL PRICE INCREASES; FURTHER DEVELOPMENTS.

REF: LA PAZ 4701

SUMMARY: BEGIN UNCLASSIFIED. LA PAZ NEWSPAPERS OF THE LAST SEVERAL DAYS HAVE FRONT-PAGED STORIES ABOUT SHORTAGES OF CONSUMER GOODS SUCH AS MEAT, COFFEE, EDIBLE OIL, AND GOB STEPS TO INCREASE SUPPLIES. HOWEVER, THE IMF REPRESENTATIVE, RECENTLY RETURNED FROM A TRIP THROUGH SOUTHERN BOLIVIA, REPORTS AMPLE CONSUMER SUPPLIES. GOB OFFICIALS ARE WORRIED ABOUT THE POLITICAL IMPACT OF SHORTAGES. END SUMMARY.

1. PRESENCIA OF AUGUST 15 REPORTS THAT THE GOVERNMENT, THROUGH THE MINISTRY OF INDUSTRY, COMMERCE AND TOURISM HAS TEMPORARILY PROHIBITED THE EXPORTATION OF MEAT. PRIOR TO THIS PROHIBITION, PRESENCIA IN ITS EDITION OF AUGUST 14 REPORTED THAT A MEETING WAS HELD IN MININD/COM WITH REPRESENTATIVES OF BENEFICIADORA DE CARNE S.A. (BECASA), WHICH REPRESENTS THE INTERESTS OF THE BENI CATTLE OWNERS FEDERATION, IN ORDER TO NORMALIZE MEAT SUPPLIES IN THE CITIES AND MINING CENTERS; AFTER SOME DISCUSSIONS, BECASA REPORTEDLY PROMISED TO

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PROVIDE NORMAL SUPPLIES. APPARENTLY, WHEN SUPPLIES FAILED

TO NORMALIZE, THE GOVERNMENT ISSUED THE TEMPORARY PROHIBITION. PRESENCIA OF AUGUST 15 ALSO ANNOUNCED THAT THE GOVERNMENT IS ENFORCING TEMPORARY PROHIBITIONS ON EXPORTS OF COFFEE "AND OTHER AGRICULTURAL PRODUCTS".

2. MORE DETAILS WILL BE KNOWN WHEN EMBASSY RECEIVES THE TEXT OF THE DECREES MENTIONED ABOVE.

3. WITH RESPECT TO EDIBLE OIL, THE PRICE OF THIS ARTICLE WAS INCREASED FROM THE \$B 45 PER CAN OF FIVE LITERS OF IMPORTED OIL TO \$B 49. AT PRESENT, DESPITE THE PRICE INCREASE, OIL IS DIFFICULT TO FIND IN LA PAZ MARKETS.

4. STRIKES IN THE MINING CENTERS OVER THE LAST SEVERAL DAYS HAVE ALSO BEEN REPORTED BY THE PRESS. REPORTEDLY, BOTH HOUSEWIVES AND MINERS HAVE STRUCK, PROTESTING SHORTAGES. END UNCLASSIFIED.

5. ON THE EVENING OF AUGUST 14, MININD/COM UNDER SECRETARY ZAMORADO TOLD EMBOFF THAT A GENERAL STRIKE WAS TO TAKE PLACE IN SANTA CRUZ AUGUST 15, PROTESTING THE SHORTAGE OF FOODSTUFFS. IN AN EARLIER CONVERSATION, ZAMORANO SAID (SOMEWHAT LURIDLY) THAT HE WAS EXTREMELY DISTURBED BY THE STRIKES IN THE MINING CENTERS AND BELIEVED THAT THE SITUATION HAD SO POLARIZED THAT THE ONLY SOLUTION POSSIBLE WOULD INVOLVE THE SHEDDING OF BLOOD. ZAMORANO CONTINUED TO BLAME "THE COMMUNISTS" AND FORMER VICE PRESIDENT JUAN LECHIN FOR INFLAMING PASSIONS AND, BY IMPLICATION, FOR FABRICATING A SITUATION. ZAMORANO CONCLUDED BY SAYING THAT A "BLOODY" SOLUTION TO THE STRIKES IN THE MINING CENTERS WOULD BE THE OPENING OF A REVOLUTION ("VIETNIMIZING BOLIVIA") FROM WHICH HE FELT "THE COMMUNISTS" WOULD EMERGE SUCCESSFUL.

6. COMMENT: THE EMBASSY CONTINUES TO BELIEVE THAT THE PRICE RISES ARE THE RESULT OF LARGELY ARTIFICIAL SHORTAGES CAUSED BY EXPECTATIONS OF HIGHER DOMESTIC PRICES WHICH EXPECTATIONS, IN TURN, INDUCE PRODUCERS TO WITHHOLD PRODUCTS FROM THE MARKET. (OUR PRICE-INDEX SAMPLING, TAKEN AUGUST 10, SHOWED ONLY MODEST PRICE INCREASES; HOWEVER, NUMEROUS ITEMS WERE NOT AVAILABLE FOR SALE.) AT PRESENT, DOMESTIC PRICES LIMITED OFFICIAL USE

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ARE RELATIVELY LOW BECAUSE OF GOVERNMENT CONTROLS. IN THE SHORT RUN, THE GOB'S APPROACH, I.E. REIMPOSITION OF EXPORT CONTROLS, MAY INDEED PROVE SUCCESSFUL BY INDUCING SUBSTANTIALLY GREATER SUPPLIES INTO THE DOMESTIC MARKET. HOWEVER, WE BELIEVE THAT SUPPLIES ARE MORE LIKELY TO NORMALIZE WHEN THE GOB ALLOWS PRICES TO RISE, WHICH WILL TEND TO DIMINISH THE INTERNAL/EXTERNAL PRICE DIFFERENTIAL WHICH MAKES EXPORTING SO ATTRACTIVE TO PRODUCERS.

7. IT IS WORTH EMPHASIZING THAT TEMPORARY SHORTAGES/PRICE RISES ARE NOT INFREQUENT IN BOLIVIA. THE MOST RECENT ROUND OCCURRED JUST LAST APRIL. TRADITIONALLY, THE GOB HAS REDUCED OR ELIMINATED EXPORT AUTHORIZATIONS TO ALLEVIATE SHORTAGES/PRICE RISES. (LAST APRIL, A RESTRICTION ON COFFEE EXPORTS SUCCESSFULLY ENDED A SHORTAGE OF THAT ITEM.)

8. GENERAL APPREHENSION OVER THE GOVERNMENT'S INEFFECTIVENESS IN DEALING WITH PRICE RISES/SHORTAGES IS HAVING THE EFFECT OF WEAKENING PUBLIC SUPPORT FOR THE ADMINISTRATION, BUT WE DO NOT BELIEVE THERE IS IMMIN  
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